

## Message Text

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15

ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 AGR-05 IO-10 DODE-00 PM-03 H-02 L-02 PA-01

PRS-01 USIA-06 ACDA-05 MC-02 INT-05 FEA-01 OES-03

/126 W

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R 020835Z APR 75

FM AMCONSUL CAPE TOWN

TO SECSTATE WASHDC 4521

INFO AMEMBASSY PRETORIA

AMEMBASSY LONDON

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

LIMITED OFFICIAL USE CAPE TOWN 0372

E.O. 11652: N/A

TAGS: PINT, ECON, EFIN, SF

SUBJECT: BUDGET REFLECTS SAG'S CONCERNS

REF: CAPE TOWN 368 AND 369

1. BEGIN SUMMARY. 1975-76 BUDGET REFLECTS SAG'S  
ASSESSMENT OF DOMESTIC POLITICAL SCENE AND SOUTH AFRICA'S  
INTERNATIONAL POSITION. BUDGET SEEKS TO LIMIT SOUTH AFRICA'S  
VULNERABILITY TO OUTSIDE PRESSURES BY BEEFING UP DEFENSE  
CAPABILITIES AND BY IMPROVING ECONOMIC INFRASTRUCTURE  
(OIL, RAILWAYS, HARBORS). LARGE SHARE OF DEFENSE SPENDING  
DEVOTED TO ACQUISITION OF NEW EQUIPMENT FOR CONVENTIONAL  
WARFAJE IS CONSISTENT WITH SAG VIEW THAT POSSIBILITIES OF  
SERIOUS DOMESTIC INSURGENCY ARE SLIGHT. BECAUSE BLACKS ARE  
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POLITICALLY POWERLESS, ISSUES OF SOCIAL WELFARE AND DEVELOPMENT

WHICH IMPORTANT TO THEM ARE CLEARLY GIVEN LOW PRIORITY IN BUDGET. HOWEVER, IN KEEPING WITH ITS POLICY OF SEPARATE DEVELOPMENT, SAG HAS SIGNIFICANTLY INCREASED FUNDS FOR BLACK HOMELANDS. END SUMMARY.

2. BUDGET PRESENTED MARCH 26 BY MINFINANCE HORWOOD STRESSED TWO PRIORITIES: DEFENSE AND DEVELOPMENT OF ADEQUATE ECONOMIC INFRASTRUCTURE. RAND 948 MILLION TO BE SPENT ON DEFENSE IS APPROXIMATELY TWENTY PER CENT OF TOTAL REVENUE ACCOUNT BUDGET AND THIRTY-SIX PER CENT INCREASE OVER 1974-75 FIGURES. EXPENDITURES FOR DEFENSE HAVE SHOWN STEADY INCREASE IN RECENT YEARS. 1975-76 FIGURE IS TWOCE LEVEL OF 1973-74 ALLOCATION AND OVER THREE TIMES 1971-72 LEVEL.

3. WHITE PAPER ISSUED MARCH 27 BY MINDEFENSE OUTLINES EXPANSION PLANS OF SOUTH AFRICAN ARMED FORCES. THOUGH SAG NOT UNMINDFUL OF POSSIBLE DOMESTIC INSURGENCY THREAT (E.G., ENTIRE ARMY HAS BEEN REGROUPED INTO A CONVENTIONAL FIGHTING FORCE AND A COUNTER-INSURGENCY FORCE), MAJOR EXPENDITURES ARE PROGRAMMED TO IMPROVE MILITARY CAPABILITIES IN CONVENTIONAL, INTERNATIONAL WARFARE. WHITE PAPER INDICATES THAT REVENUE FUNDS WILL BE USED FOR PURCHASE OF "MODERN INTERCEPTOR AIRCRAFT," SUBMARINES, AND "MINE COUNTER-MEASURE VESSELS," WHICH WILL REPLACE EXISTING MINE SWEEPER FORCE, AND FOR CONSTRUCTION, IN SOUTH AFRICA, OF SIX FAST MISSILE-CARRYING PATROL CRAFT.

4. INCREASE OF TAX ON PETROLEUM PRODUCTS TO FINANCE SASOL II COAL LIQUIFICATION PROJECT REFLECTS SAG'S INTENT TO LESSEN DEPENDENCE ON FOREIGN OIL. RAND 427 MILLION ALLOCATION FROM LOAN FUND TO SOUTH AFRICAN RAILWAYS SEEMS DESIGNED TO HELP DEVELOP A TRANSPORTATION AND PORT INFRASTRUCTURE WHICH WILL BE BETTER SUITED TO MEET BURGEONING DOMESTIC AND INTERNATIONAL TRADE WHICH, NOT INCIDENTALLY, WILL BE LESS VULNERABLE TO DISLOCATIONS IN MOZAMBIQUE AND ELSEWHERE.

5. GOVERNMENT HAS NOT COMPLETELY IGNORED NATION'S SOCIAL PROBLEMS, BUT BUDGET DOES NOZ PROPOSE ANY SIGNIFICANT DEPARTURES FROM PAST POLICIES. APPROXIMATELY THIRTY-SIX PER CENT RAISE OVER 1974-75 LEVELS IN AID TO BLACK HOMELANDS IS SIZEABLE BUT, DOES NOT GO LONG WAY TO MEET REAL NEEDS OF LIMITED OFFICIAL USE

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HOMELANDS. NO MASSIVE ATTACK ON POVERTY, ILL HEALTH, OR LACK OF JOB OPPORTUNITY ENDEMIC TO HOMELANDS IS PLANNED. NOR DOES BUDGET ENVISION MAJOR PROGRAMS TO PROVIDE INCREASED TRAINING OR IMPROVED HOUSING FOR URBAN BLACKS. ALLOCATION OF APPROXIMATELY SAME AMOUNT FOR PURCHASE OF LAND FOR BLACK HOMELANDS IN 1975-76 AS IN 1974-75 INDICATES THAT SAG WILL PLANNING ON TAKING DECADE OR SO TO COMPLETE FINAL CONSOLIDATION OF HOMELANDS IN TERMS

OF 1936 LAND ACT.

6. PRESS HAS ATTACKED BUDGET FOR NOT PROVIDING MUCH RELIEF FOR AVERAGE (WHITE) MAN. AVERAGE BLACK WILL GET EVEN LESS. FOR INSTANCE, INCREASE OF R7 PER MONTH FOR WHITE PENSIONERS WILL PROBABLY BE TRANSLATED AT ESTABLISHED 4:2:1 PENSION RATION (WHITE:COLORED:BLACK) INTO LESS THAN R2 A MONTH MORE FOR BLACK PENSIONERS.

7. COMMENT: BUDGET PROPOSALS MANIFEST NATIONAL PARTY'S PERCEPTION OF SOUTH AFRICA'S INTERNATIONAL AND DOMESTIC SCENE. GOVERNMENT VIEWS COUNTRY AS BASICALLY IN STRONG ECONOMIC SHAPE, BUT THREATENED INTERNATIONALLY BY POTENTIALLY BELLICOSE AIMS OF COMMUNIST NATIONS AND BLACK AFRICA AND BY HOSTILITY OF MUCH OF REST OF WORLD. LACK OF MEANINGFUL NEW BENEFITS FOR BLACKS IS COROLLARY TO THEIR POLITICAL VOICELESSNESS AND INABILITY TO MAKE THEIR DEMANDS KNOWN VIA ESTABLISHED POLITICAL MACHINERY. IN ADDITION, BUDGET ALSO INDICATES THAT SAG DOES NOT RPT NOT REGARD VAST IMPROVEMENT OF SOCIO-ECONOMIC POSITION OF BLACKS AS URGENT MATTER. TO CONTRARY, RELATIVELY LARGE SUMS SET ASIDE FOR HOMELANDS SHOWS ONCE AGAIN THAT VORSTER GOVERNMENT FIRMLY BELIEVES BASIC SOLUTION TO SOUTH AFRICA'S RACE PROBLEMS LIES IN STRENGTHENING OF "BANTUSTANS."  
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## Message Attributes

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